

Message Text

UNCLASSIFIED

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 L-03 /108 W

-----032155Z 057638 /66

R 031648Z JAN 77

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1997

TREASURY DEPT WASH DC

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMCONSUL GENOA

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL FLORENCE

AMCONSUL TURIN

AMCONSUL TRIESTE

AMCONSUL PALERMO

UNCLAS ROME 0040

PASS FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALY REVALUES OFFICIAL GOLD HOLDINGS

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1. ON DECEMBER 30, ITALIAN CABINET APPROVED DECREE LAW UNDER WHICH VALUE OF GOLD HOLDINGS OF BANK OF ITALY AND ITALIAN EXCHANGE OFFICE (UIC) WILL HENCEFORTH BE FIXED ACCORDING TO MARKET PRICE OF GOLD. ITALY'S OFFICIAL GOLD STOCK HAD BEEN CARRIED ON BOOKS OF CONVERTED AT IMPLICIT 625 LIRE PER DOLLAR BOI-UIC AT 35 DOLLARS AN OUNCE,

AS ESTABLISHED BY DECREE LAW OF 28 JANUARY 1960. DETAILS,
AS REPORTED IN PRESS, ARE AS FOLLOWS.

2. NEW ACCOUNTING PRICE OF GOLD WILL BE REVISED EVERY THREE MONTHS AND BASED ON AVERAGE AFTERNOON MARKET PRICE IN LONDON DURING 30 MARKET DAYS, PRECEDING LAST THREE MARKET DAYS OF LAST MONTH OF QUARTER. COMPUTED 30 DAYS' AVERAGE IS THEN REDUCED BY 15 PERCENT. ITALY'S GOLD RESERVES (WHICH NOW WEIGH ABOUT 2,565 TONS OR ABOUT 82,480 OUNCES) WILL THEREFORE RISE IN VALUE FROM 1,804.3 BILLION LIRE (ABOUT DLR 2.9 BILLION AT 875 LIRE PER DOLLAR) TO ABOUT 8097.5 BILLION LIRE (DLR 9.3 BILLION ON THE BASIS OF AN AVERAGE GOLD PRICE OF ABOUT DLR 132 AN OUNCE.

3. OF ROUGHLY 6,300 BILLION LIRE INCREASE IN BOI-UIC ASSETS DERIVED FROM GOLD REVALUATION: 339 BILLION WILL GO TO REDUCE LIABILITY TO TREASURY, WHICH DATES BACK TO IMMEDIATE POST-WAR PERIOD, AND REMAINDER WILL BE USED TO ESTABLISH TWO RESERVE FUNDS AGAINST EXCHANGE LOSSES ON FOREIGN BORROWINGS AND AGAINST FUTURE FLUCTUATIONS IN GOLD PRICE.

4. IN RESPONSE TO QUESTION FROM PRESS, BOI DIRECTOR

GENERAL ERCOLANI DENIED FLATLY THAT GOLD REVALUATION INDICATED GOVERNMENT WAS CONTEMPLATING APPROACHING OTHER GOVERNMENTS FOR GOLD-COLLATERAL TYPE LOANS, AS HAD BEEN OBTAINED FROM GERMAN BUNDESBANK.

5. GOLD REVALUATION HAD NO IMPACT ON FOREIGN EXCHANGE MARKET,
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AS MIGHT HAVE BEEN EXPECTED GIVEN STRICTLY NOMINAL NATURE OF MOVE AND WIDE DISCOUNTING BY FOREIGN CREDITORS OF VALUE OFFICIAL GOLD HOLDINGS BASED ON MARKET PRICE OF GOLD.VOLPE

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
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Executive Order: N/A
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